

City of Grinnell

Independent Auditor's Reports
Basic Financial Statements
and Supplementary Information
Schedule of Findings and Questioned Costs

June 30, 2004

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City of Grinnell
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Gordon Canfield	Mayor	December 31, 2003
James White	Mayor Pro-Tem	December 31, 2005
Peggy Elliott	Council Member - 1 st Ward	December 31, 2005
Steve Witt	Council Member - 2 nd Ward	December 31, 2003
Shannon McNaul	Council Member - 3 rd Ward	December 31, 2005
Larry Wilson	Council Member - 4 th Ward	December 31, 2003
Byron Worley	Council Member - At Large	December 31, 2003
James White	Council Member - At Large	December 31, 2005
Russ Behrens	City Manager	December 31, 2003
Cassandra Hage	City Clerk/Treasurer	December 31, 2003
William Sueppel	City Attorney	December 31, 2003
Laura Pinkerton	Deputy City Clerk/ Deputy Treasurer	December 31, 2003
(After January 2004)		
Gordon Canfield	Mayor	December 31, 2005
James White	Mayor Pro-Tem	December 31, 2005
Peggy Elliott	Council Member - 1 st Ward	December 31, 2005
Steve Witt	Council Member - 2 nd Ward	December 31, 2007
Shannon McNaul	Council Member - 3 rd Ward	December 31, 2005
Larry Wilson	Council Member - 4 th Ward	December 31, 2007
Byron Worley	Council Member - At Large	December 31, 2007
James White	Council Member - At Large	December 31, 2005
Russ Behrens	City Manager	December 31, 2004
Cassandra Hage	City Clerk/Treasurer	December 31, 2005
William Sueppel	City Attorney	December 31, 2004

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Grinnell, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Grinnell's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Grinnell as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 11, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our reports dated January 31, 2005 on our consideration of the City of Grinnell's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages

4 through 8 and 21 through 22 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Grinnell's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ROLAND & DIELEMAN

Certified Public Accountants

January 31, 2005

Management's Discussion and Analysis

City of Grinnell provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 8.5%, or approximately \$415,000, from fiscal 2003 to fiscal 2004. Property tax decreased approximately \$90,546.
- Governmental activities disbursements increased 8.3%, or approximately \$490,000, in fiscal 2004 from fiscal 2003. Public safety and capital projects disbursements increased approximately \$87,500 and \$319,000, respectively.
- The City's total cash basis net assets decreased 10.5%, or approximately \$785,000 from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities decreased approximately \$770,000 and the assets of the business type activities decreased by approximately \$15,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- (a) Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and debt capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water

and sewer funds considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased sharply from a year ago, decreasing from \$5.016 million to \$4.246 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2004	2003
Receipts and transfers:		
Program receipts:		
Charges for service	\$ --	146
General receipts:		
TIF	303	285
Property tax	2,696	2,787
Grants and contributions not restricted to specific purposes	1,079	1,741
Bond proceeds	--	395
Other general receipts	1,234	995
Transfers, net	<u>341</u>	<u>336</u>
Total receipts and transfers	<u>5,653</u>	<u>6,685</u>
Disbursements:		
Business type	--	48
Public safety	1,522	1,434
Public works	875	904
Health and social services	2	4
Culture and recreation	838	809
Community and economic development	794	1,014
General government	946	940
Debt service	653	635
Capital projects	<u>793</u>	<u>1,242</u>
Total disbursements	<u>6,423</u>	<u>7,030</u>
Decrease in cash basis net assets	(770)	(345)
Cash basis net assets beginning of year	<u>5,016</u>	<u>5,361</u>
Cash basis net assets end of year	\$ <u>4,246</u>	<u>5,016</u>

The City's total receipts for governmental activities increased by 8.5%, or \$415,000. The total cost of all programs and services increased by approximately \$490,000, or 8.3%%, with no

new programs added this year.

The cost of all governmental activities this year was \$6.423 million compared to \$7.028 million last year.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2004	2003
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 778	815
Sewer	1,275	1,167
Garbage	618	662
General receipts:		
Bond proceeds		3,737
Other general receipts	589	617
Total receipts	<u>3,260</u>	<u>6,998</u>
Disbursements and transfers:		
Water	721	716
Sewer	510	405
Garbage	762	593
Transfers	342	336
Other	940	4,737
Total disbursements and transfers	<u>3,275</u>	<u>6,787</u>
Increase (decrease) in cash balance	(15)	211
Cash basis net assets beginning of year	<u>2,406</u>	<u>2,195</u>
Cash basis net assets end of year	\$ <u>2,391</u>	\$ <u>2,406</u>

Total business type activities receipts for the fiscal year were \$3.260 million compared to \$6.998 million last year. The cash balance decreased by approximately \$15,000 from the prior year. Total disbursements and transfers for the fiscal year decreased by 52% to a total of \$3.275 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Grinnell completed the year, its governmental funds reported a combined fund balance of \$2,390,669, a decrease of \$14,959 from last year's total of \$2,405,628. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$148,498 from the prior year to \$797,044.
- The Road Use Tax Fund cash balance increased by \$4,519 to \$552,692 during the fiscal year.
- The Debt Service Fund cash balance decreased by \$12,596 to \$144,752 during the fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$4,881 to \$383,048, due primarily to an increase in the sale of water.
- The Sewer Fund cash balance increased by \$120,781 to \$1,337,187.

DEBT ADMINISTRATION

At June 30, 2004, the City had approximately \$3,795,000 in bonds and other long-term debt, compared to approximately \$4,685,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2004	2003
General obligation notes	\$ 290	910
Revenue notes	<u>3,505</u>	<u>3,775</u>
Total	<u>\$ 3,795</u>	<u>4,685</u>

The City continues to carry a general obligation bond rating of A3 assigned by national rating agencies to the City's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$290,000 is significantly below its constitutional debt limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Grinnell elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various City activities.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2 percent for fiscal year 2004 compared with the national rate of 3.4 percent. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2003-2004.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$14.35 million, an increase of 27% over the final 2004 budget. Property tax (benefiting from the 2004 rate increases and increases in assessed valuations) and proceeds from the urban renewal tax increment financing revenue bonds are expected to lead this increase. The City will use these increases in receipts to finance programs we currently offer and to defray the costs of carrying out a downtown street improvement, Long Creek, and airport improvements. Budgeted disbursements are expected to rise by approximately \$6.295 million. Construction projects represent the largest increases.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$3,252,788 by the close of 2005.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cassandra Hage, City Clerk, Grinnell, Iowa.

City of Grinnell
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2004

Exhibit A

		Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
			Operating Grants, Contributions and Restricted Interest			
	Disbursements	Charges for Service		Governmental Activities	Business Type Activities	Total
Functions / Programs:						
Governmental activities:						
Public safety	\$ 1,522,217	16,184		(1,506,033)		(1,506,033)
Public works	874,965			(874,965)		(874,965)
Health and social services	2,446			(2,446)		(2,446)
Culture and recreation	838,273			(838,273)		(838,273)
Community and economic development	793,845			(793,845)		(793,845)
General government	946,375		222,593	(723,782)		(723,782)
Debt service	652,708			(652,708)		(652,708)
Capital projects	792,546			(792,546)		(792,546)
	<u>6,423,375</u>	<u>16,184</u>	<u>222,593</u>	<u>(6,184,598)</u>		<u>(6,184,598)</u>
Business type activities:						
Building and housing	136,373				(136,373)	(136,373)
Water	721,355	778,093			56,738	56,738
Sewer	906,599	1,274,894			368,295	368,295
Garbage	761,784	618,176			(143,608)	(143,608)
Other	407,644	40,742			(366,902)	(366,902)
Total business type activities	<u>2,933,755</u>	<u>2,711,905</u>			<u>(221,850)</u>	<u>(221,850)</u>
Total	<u>\$ 9,357,130</u>	<u>2,728,089</u>	<u>222,593</u>	<u>(6,184,598)</u>	<u>(221,850)</u>	<u>(6,406,448)</u>
General Receipts:						
Property tax levied for:						
General purposes				2,228,796		2,228,796
Tax increment financing				302,895		302,895
Debt service				467,294		467,294
Other city tax				55,330		55,330
Grants and contributions not restricted to specific purpose				1,078,871		1,078,871
Unrestricted interest on investments				42,566	28,119	70,685
Miscellaneous				897,201	520,159	1,417,360
Transfers				341,387	(341,387)	
Total general receipts and transfers				<u>5,414,340</u>	<u>206,891</u>	<u>5,621,231</u>
Change in cash basis net assets				(770,258)	(14,959)	(785,217)
Cash basis net assets beginning of year, as restated				<u>5,016,428</u>	<u>2,405,628</u>	<u>7,422,056</u>
Cash basis net assets end of year				<u>\$ 4,246,170</u>	<u>2,390,669</u>	<u>6,636,839</u>
Cash Basis Net Assets						
Restricted:						
Debt service				\$ 144,752	132,747	277,499
Unrestricted				<u>4,101,418</u>	<u>2,257,922</u>	<u>6,359,340</u>
Total cash basis net assets				<u>\$ 4,246,170</u>	<u>2,390,669</u>	<u>6,636,839</u>

See notes to financial statements.

City of Grinnell
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2004

Exhibit B

	General	Special Revenue Road Use Tax	Employee Benefits	Equipment	Permanent Perpetual Care	Debt Service	Other Nonmajor Governmental Funds	Total
Receipts:								
Property tax	\$ 1,676,390		552,406			467,294		2,696,090
Tax increment financing collections			1,833				301,062	302,895
Other city tax							55,330	55,330
Licenses and permits	11,088							11,088
Use of money and property	9,301		1,265	15,807		3,050	13,143	42,566
Intergovernmental	314,479	758,363					6,029	1,078,871
Special assessments							14,800	14,800
Miscellaneous	608,474		14,318		12,362		474,936	1,110,090
Total receipts	<u>2,619,732</u>	<u>758,363</u>	<u>569,822</u>	<u>15,807</u>	<u>12,362</u>	<u>470,344</u>	<u>865,300</u>	<u>5,311,730</u>
Disbursements:								
Operating:								
Public safety	1,143,860		377,080				1,277	1,522,217
Public works	167,452	596,467	111,046					874,965
Health and social services	2,446							2,446
Culture and recreation	676,057		125,563				36,653	838,273
Community and economic development	375,229	52,627	1,174				364,815	793,845
General government	344,462		101,137				500,776	946,375
Debt service						652,708		652,708
Capital projects	8,218			290,553			493,775	792,546
Total disbursements	<u>2,717,724</u>	<u>649,094</u>	<u>716,000</u>	<u>290,553</u>		<u>652,708</u>	<u>1,397,296</u>	<u>6,423,375</u>
Excess of receipts over disbursements	(97,992)	109,269	(146,178)	(274,746)	12,362	(182,364)	(531,996)	(1,111,645)
Other financing sources (uses):								
Operating transfers in				352,874		169,769		522,643
Operating transfers out	(50,506)	(104,750)					(26,000)	(181,256)
Total other financing sources (uses)	(50,506)	(104,750)		352,874		169,769	(26,000)	341,387
Net change in cash balances	(148,498)	4,519	(146,178)	78,128	12,362	(12,595)	(557,996)	(770,258)
Cash balances beginning of year	797,044	548,173	264,281	1,335,258	418,000	157,347	1,496,325	5,016,428
Cash balances end of year	<u>\$ 648,546</u>	<u>\$ 552,692</u>	<u>118,103</u>	<u>1,413,386</u>	<u>430,362</u>	<u>144,752</u>	<u>938,329</u>	<u>4,246,170</u>
Cash Basis Fund Balances								
Reserved:								
Debt service	\$					144,752		144,752
Unreserved:								
General fund	648,546							726,320
Special revenue funds		552,692	118,103				242,514	835,535
Capital projects fund				1,413,386			695,815	2,109,201
Permanent fund					430,362			430,362
Total cash basis fund balances	<u>\$ 648,546</u>	<u>552,692</u>	<u>118,103</u>	<u>1,413,386</u>	<u>430,362</u>	<u>144,752</u>	<u>938,329</u>	<u>4,246,170</u>

See notes to financial statements.

City of Grinnell
Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds
As of and for the year ended June 30, 2004

Exhibit C

Total governmental funds cash balances	\$ <u>4,246,170</u>
Cash basis net assets of governmental activities	\$ <u>4,246,170</u>
Net change in cash balances	\$(<u>770,258</u>)
Change in cash balance of governmental activities	\$(<u>770,258</u>)

See notes to financial statements.

City of Grinnell
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2004

Exhibit D

	Building and Housing	Water	Sewer	Garbage	Other Non Major Proprietary Funds	Total
Operating receipts:						
Use of money and property	\$ 2,544	5,419	14,883	2,488	81,698	107,032
Charges for service		778,093	1,274,894	618,176	40,742	2,711,905
Miscellaneous	<u>227,033</u>	<u>70,724</u>	<u>9,196</u>	<u>92,498</u>	<u>41,795</u>	<u>441,246</u>
Total operating receipts	<u>229,577</u>	<u>854,236</u>	<u>1,298,973</u>	<u>713,162</u>	<u>164,235</u>	<u>3,260,183</u>
Operating disbursements:						
Governmental activities:						
Community and economic development	13,583				54,587	
Culture and recreation					75,757	75,757
General government			96,091		235,318	331,409
Business type activities	<u>122,790</u>	<u>721,355</u>	<u>414,110</u>	<u>761,784</u>	<u>41,982</u>	<u>2,062,021</u>
Total operating disbursements	<u>136,373</u>	<u>721,355</u>	<u>510,201</u>	<u>761,784</u>	<u>407,644</u>	<u>2,537,357</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>93,204</u>	<u>132,881</u>	<u>788,772</u>	<u>(48,622)</u>	<u>(243,409)</u>	<u>722,826</u>
Non-operating receipts (disbursements):						
Debt service	_____	_____	<u>(396,398)</u>	_____	_____	<u>(396,398)</u>
Total non-operating receipts (disbursements)	_____	_____	<u>(396,398)</u>	_____	_____	<u>(396,398)</u>
Excess (deficiency) of receipts over (under) disbursements	93,204	132,881	392,374	(48,622)	(243,409)	326,428
Operating transfers out	_____	<u>(128,000)</u>	<u>(271,593)</u>	<u>(85,300)</u>	<u>143,506</u>	<u>(341,387)</u>
Net change in cash balances	93,204	4,881	120,781	(133,922)	(99,903)	(14,959)
Cash balances beginning of year	<u>249,010</u>	<u>378,167</u>	<u>1,216,406</u>	<u>254,452</u>	<u>307,593</u>	<u>2,405,628</u>
Cash balances end of year	<u>\$ 342,214</u>	<u>383,048</u>	<u>1,337,187</u>	<u>120,530</u>	<u>207,690</u>	<u>2,390,669</u>
Cash Basis Fund Balances						
Reserved for debt service	\$		132,747			132,747
Unreserved	<u>342,214</u>	<u>383,048</u>	<u>1,204,440</u>	<u>120,530</u>	<u>207,690</u>	<u>2,257,922</u>
Total cash basis fund balances	<u>\$ 342,214</u>	<u>383,048</u>	<u>1,337,187</u>	<u>120,530</u>	<u>207,690</u>	<u>2,390,669</u>

See notes to financial statements.

City of Grinnell
Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Proprietary Funds
As of and for the year ended June 30, 2004

Exhibit E

Total enterprise funds cash balances	\$ <u>2,390,669</u>
Cash basis net assets of business type activities	\$ <u>2,390,669</u>
Net change in cash balances	\$(<u>14,959</u>)
Change in cash balance of business type activities	\$(<u>14,959</u>)

See notes to financial statements.

City of Grinnell
Notes to Financial Statements
June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Grinnell is a political subdivision of the State of Iowa located in Poweshiek County. It was first incorporated in 1865 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water, garbage, and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Grinnell has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Poweshiek County Assessor's Conference Board, Poweshiek County Emergency Management Commission, and Poweshiek County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either

externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefits Fund is used to account for payroll taxes.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Equipment Fund is used to account for major purchases of equipment.

The Perpetual Care Fund is used to maintain the cemetery.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Garbage Fund accounts for the operation and maintenance of the City's garbage system.

The Building and Housing Fund accounts for fees and permits for building projects.

C. Measurement Focus and Basis of Accounting

The City of Grinnell maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the general government, culture and recreation, community and economic development, and debt service functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category I, which means that the investments are insured or registered or the securities are held by the City or its agent in the City's name.

In addition, the City had investments in the Iowa Agency Investment Trust which are valued at an amortized cost of \$45,709 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, revenue bonds, special assessment bond, and note indebtedness are as follows:

Year Ending June 30,	General Obligation Notes		Sewer Revenue Refunding Capital Loan Notes	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 100,000	5,600	280,000	111,275
2006			285,000	105,675
2007			290,000	97,695
2008			300,000	89,575
2009			300,000	80,875
2010			315,000	72,175
2011			325,000	62,095
2012			325,000	51,208
2013			350,000	39,995
2014			360,000	27,570
2015			375,000	14,250
	<u>\$ 100,000</u>	<u>5,600</u>	<u>3,505,000</u>	<u>752,388</u>

Year Ending June 30,	General Obligation Notes		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 190,000	4,037	570,000	120,912
2006			285,000	105,675
2007			290,000	97,695
2008			300,000	89,575
2009			300,000	80,875
2010			315,000	72,175
2011			325,000	62,095
2012			325,000	51,208
2013			350,000	39,995
2014			360,000	27,570
2015			375,000	14,250
	<u>\$ 190,000</u>	<u>4,037</u>	<u>3,795,000</u>	<u>762,025</u>

- (h) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to the sewer revenue note sinking account for the purpose of making the note principal and interest payments when due.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$97,928, \$94,145, and \$88,335, respectively, equal to the required contributions for each year.

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th St., Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2004, 2003, and 2002 were \$157,430, \$124,594, and \$124,120 respectively, which (met) exceeded the required minimum contribution for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payments payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 105,165
Sick leave	<u>229,147</u>
Total	<u>\$ 334,312</u>

This liability has been computed based on rates of pay as of June 30, 2004.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
	General:	\$ 50,506
	Road Use	104,750
Capital Projects		352,874
Debt Service		169,769
	TIF	26,000
	Enterprises:	
	Water	128,000
	Sewer	271,593
	Garbage	85,300
Enterprise		
Community Center		115,805
Airport		29,701
	Cemetery	<u>2,000</u>
		<u>\$ 1,336,298</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(7) Related Party Transactions

The City had business transactions between the City and City officials totaling \$56 during the year ended June 30, 2004.

(8) Industrial Development Revenue Bonds

The City has issued a total of \$14,390,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$11,132,208 is outstanding at June 30, 2004. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

(9) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitation. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Deficit Fund Balance

The Capital Projects, Airport Development Fund had a deficit balance of \$260,291 at June 30, 2004. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of state grants.

(11) Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ending June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

City of Grinnell
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts Original	Final Net Variance
Receipts:					
Property tax	\$ 2,696,090		2,696,090	2,705,636	(9,546)
Tax increment financing collections	302,895		302,895	292,217	10,678
Other city tax	55,330		55,330	159,559	(104,229)
Licenses and permits	11,088		11,088	14,960	(3,872)
Use of money and property	42,566	107,032	149,598	307,380	(157,782)
Intergovernmental	1,078,871	1,078,871	1,731,712	(652,841)	
Charges for service		2,711,905	2,711,905	3,780,882	(1,068,977)
Special assessments	14,800		14,800	10,712	4,088
Miscellaneous	<u>1,110,090</u>	<u>441,246</u>	<u>1,551,336</u>	<u>250,199</u>	<u>1,301,137</u>
Total receipts	<u>5,311,730</u>	<u>3,260,183</u>	<u>8,571,913</u>	<u>9,253,257</u>	<u>(681,344)</u>
Disbursements					
Public safety	1,522,217		1,522,217	1,554,365	32,148
Public works	874,965		874,965	1,039,372	164,407
Health and social services	2,446		2,446	4,150	1,704
Culture and recreation	838,273	75,757	914,030	899,308	(14,722)
Community and economic development	793,845	68,170	862,015	731,984	(130,031)
General government	946,375	331,409	1,277,784	1,255,401	(22,383)
Debt service	652,708	396,398	1,049,106	650,700	(398,406)
Capital projects	792,546		792,546	1,966,295	1,173,749
Business type activities		<u>2,062,021</u>	<u>2,062,021</u>	<u>2,244,568</u>	<u>182,547</u>
Total disbursements	<u>6,423,375</u>	<u>2,933,755</u>	<u>9,357,130</u>	<u>10,346,143</u>	<u>989,013</u>
Excess of receipts over disbursements	(1,111,645)	326,428	(785,217)	(1,092,886)	307,669
Other financing sources, net	<u>341,387</u>	<u>(341,387)</u>		<u>420,500</u>	<u>(420,500)</u>
Excess of receipts and other financing sources over disbursements and other financing uses	(770,258)	(14,959)	(785,217)	(672,386)	(112,831)
Balances beginning of year	<u>5,016,428</u>	<u>2,405,628</u>	<u>7,422,056</u>	<u>6,523,242</u>	<u>898,814</u>
Balances end of year	<u>\$ 4,246,170</u>	<u>2,390,669</u>	<u>6,636,839</u>	<u>5,850,856</u>	<u>785,983</u>

See accompanying independent auditor's report.

City of Grinnell
Notes to Required Supplementary Information - Budgetary Reporting
June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the general government, culture and recreation, community and economic development, and debt service functions.

City of Grinnell
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2004

Schedule 1

	Special Revenue										Capital Projects						Total
	Special Assessment	Hotel/Motel TIF	Hotel/Motel Tax	Library Gifts	Unemployment Reserve	Insurance Reserve	Plantings at the Cemetery	Insurance Escrow	Insurance Deductible	Pension- Medical	Capital Loan 02	Capital Loan 01	Airport and Development	Rolling Meadows	West Pine Development	Capital Loan 03	
Receipts:																	
Tax increment financing collection	\$	301,062															301,062
Other city tax			55,330														55,330
Use of money and property	962	50	636	2,527	109	682			1,233	356	2,750	2,623	53			1,162	13,143
Intergovernmental	6,029																6,029
Special assessments														14,800			14,800
Miscellaneous				<u>24,829</u>	<u>3,650</u>	<u>434,960</u>	<u>663</u>	<u>9,482</u>							<u>1,352</u>		<u>474,936</u>
Total receipts	<u>6,991</u>	<u>301,112</u>	<u>55,966</u>	<u>27,356</u>	<u>3,759</u>	<u>435,642</u>	<u>663</u>	<u>9,482</u>	<u>1,233</u>	<u>356</u>	<u>2,750</u>	<u>2,623</u>	<u>53</u>	<u>14,800</u>	<u>1,352</u>	<u>1,162</u>	<u>865,300</u>
Disbursements:																	
Operating:																	
Community and economic development		318,141	46,674														364,815
Public safety										1,277							1,277
Culture and recreation			15,575	21,078													36,653
General government						498,776			2,000								500,776
Capital projects											<u>8,417</u>	<u>34,966</u>	<u>279,330</u>			<u>171,062</u>	<u>493,775</u>
Total disbursements		<u>318,141</u>	<u>62,249</u>	<u>21,078</u>		<u>498,776</u>			<u>2,000</u>	<u>1,277</u>	<u>8,417</u>	<u>34,966</u>	<u>279,330</u>		<u>1,352</u>	<u>(169,900)</u>	<u>1,397,296</u>
Excess (deficiency) of receipts over (under) disbursements	6,991	(17,029)	(6,283)	6,278	3,759	(63,134)	663	9,482	(767)	(921)	(5,667)	(32,343)	(279,277)	14,800	1,352	(169,900)	(531,996)
Other financing uses:																	
Operating transfers out		(26,000)															(26,000)
Net change in cash balances	6,991	(43,029)	(6,283)	6,278	3,759	(63,134)	663	9,482	(767)	(921)	(5,667)	(32,343)	(279,277)	14,800	1,352	(169,900)	(557,996)
Cash balances beginning of year	<u>75,944</u>	<u>39,883</u>	<u>57,107</u>	<u>192,875</u>	<u>31,802</u>	<u>273,556</u>	<u>5,265</u>	<u>0</u>	<u>80,706</u>	<u>25,638</u>	<u>188,758</u>	<u>93,576</u>	<u>18,986</u>	<u>5,770</u>	<u>10,466</u>	<u>395,993</u>	<u>1,496,325</u>
Cash balances end of year	<u>\$ 82,935</u>	<u>(3,146)</u>	<u>50,824</u>	<u>199,153</u>	<u>35,561</u>	<u>210,422</u>	<u>5,928</u>	<u>9,482</u>	<u>79,939</u>	<u>24,717</u>	<u>183,091</u>	<u>61,233</u>	<u>(260,291)</u>	<u>20,570</u>	<u>11,818</u>	<u>226,093</u>	<u>938,329</u>
Cash Basis Fund Balances																	
Unreserved:																	
Special revenue funds	\$ 82,935	(3,146)	50,824	199,153	35,561	210,422	5,928	9,482	79,939	24,717							695,815
Capital projects fund											<u>183,091</u>	<u>61,233</u>	<u>(260,291)</u>	<u>20,570</u>	<u>11,818</u>	<u>226,093</u>	<u>242,514</u>
Total cash basis fund balances	<u>\$ 82,935</u>	<u>(3,146)</u>	<u>50,824</u>	<u>199,153</u>	<u>35,561</u>	<u>210,422</u>	<u>5,928</u>	<u>9,482</u>	<u>79,939</u>	<u>24,717</u>	<u>183,091</u>	<u>61,233</u>	<u>(260,291)</u>	<u>20,570</u>	<u>11,818</u>	<u>226,093</u>	<u>938,329</u>

See accompanying independent auditor's report.

City of Grinnell
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Non-major Proprietary Funds
As of and for the year ended June 30, 2004

Schedule 2

	Enterprise Funds					
	Cable TV	Cemetery	Airport	Concession	Community Center	Total
Operating receipts:						
Use of money and property	\$ 108	24,042			57,548	81,698
Charges for service		40,742				40,742
Miscellaneous	<u>13,164</u>		<u>24,818</u>	<u>3,813</u>		<u>41,795</u>
Total operating receipts	<u>13,272</u>	<u>64,784</u>	<u>24,818</u>	<u>3,813</u>	<u>57,548</u>	<u>164,235</u>
Operating disbursements:						
Governmental activities:						
Community and economic development			54,587			54,587
Culture and recreation		72,960		1,833	964	75,757
General government					235,318	235,318
Business type activities	<u>41,982</u>					<u>41,982</u>
Total operating disbursements	<u>41,982</u>	<u>72,960</u>	<u>54,587</u>	<u>1,833</u>	<u>236,282</u>	<u>407,644</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(<u>28,710</u>)	(<u>8,176</u>)	(<u>29,769</u>)	<u>1,980</u>	(<u>178,734</u>)	(<u>243,409</u>)
Excess (deficiency) of receipts over (under) disbursements	(28,710)	(8,176)	(29,769)	1,980	(178,734)	(243,409)
Operating transfers	_____	(<u>2,000</u>)	<u>29,701</u>	_____	<u>115,805</u>	<u>143,506</u>
Net changes in cash balances	(28,710)	(10,176)	(68)	1,980	(62,929)	(99,903)
Cash balances beginning of year	<u>29,951</u>	<u>12,452</u>	<u>73</u>	<u>3,591</u>	<u>261,526</u>	<u>307,593</u>
Cash balances end of year	\$ <u><u>1,241</u></u>	<u><u>2,276</u></u>	<u><u>5</u></u>	<u><u>5,571</u></u>	<u><u>198,597</u></u>	<u><u>207,690</u></u>
Cash Basis Fund Balances						
Unreserved	\$ <u>1,241</u>	<u>2,276</u>	<u>5</u>	<u>5,571</u>	<u>198,597</u>	<u>207,690</u>
Total cash basis fund balances	\$ <u><u>1,241</u></u>	<u><u>2,276</u></u>	<u><u>5</u></u>	<u><u>5,571</u></u>	<u><u>198,597</u></u>	<u><u>207,690</u></u>

See notes to financial statements.

City of Grinnell
Schedule of Indebtedness
Year ended June 30, 2004

Schedule 3

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Notes:									
Series 1992	09/01/92	4.55,4.75,4.90,5.50, 5.05,5.15,5.30,5.60	\$ 1,205,000	\$ <u>270,000</u>	\$ <u>0</u>	\$ <u>170,000</u>	\$ <u>100,000</u>	\$ <u>14,950</u>	\$ <u>466</u>
Series 2002	04/01/02	3.0	\$ 425,000	\$ <u>245,000</u>	\$ <u>0</u>	\$ <u>245,000</u>	\$ <u>0</u>	\$ <u>7,350</u>	\$ <u>0</u>
Series 2003	04/01/03	2.125	\$ 395,000	\$ <u>395,000</u>	\$ <u>0</u>	\$ <u>205,000</u>	\$ <u>190,000</u>	\$ <u>9,793</u>	\$ <u>336</u>
Sewer Revenue Capital:									
Loan Note Series 2003	04/09/03	2.00,2.80,2.90,3.20 3.25,3.45,3.55,3.70,3.80	\$ 3,775,000	\$ <u>3,775,000</u>	\$ <u>0</u>	\$ <u>270,000</u>	\$ <u>3,505,000</u>	\$ <u>126,398</u>	\$ <u>9,273</u>

See notes to financial statements.

City of Grinnell
Bond and Note Maturities
June 30, 2004

Schedule 4

	<u>Sewer Revenue</u>			<u>Capital Loan</u>		<u>1986</u>		
	<u>Refunding Capital</u>			<u>Note</u>		<u>Sewer Bond</u>		
	<u>Rate</u>	<u>Amount</u>		<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Total</u>
2005	2.00	280,000		2.125	190,000	5.60	100,000	570,000
2006	2.80	285,000						285,000
2007	2.80	290,000						290,000
2008	2.90	300,000						300,000
2009	2.90	300,000						300,000
2010	3.20	315,000						315,000
2011	3.35	325,000						325,000
2012	3.45	325,000						325,000
2013	3.55	350,000						350,000
2014	3.70	360,000						360,000
2015	3.80	375,000						375,000
		<u>\$ 3,505,000</u>			<u>\$ 190,000</u>		<u>\$ 100,000</u>	<u>\$ 3,795,000</u>

See accompanying independent auditor's report.

City of Grinnell
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Four Years

Schedule 5

	2004	2003	2002	2001
Receipts:				
Property tax	\$ 2,696,090	2,786,636	2,686,075	2,646,264
Tax increment financing collections	302,895	284,562	220,381	282,619
Other city tax	55,330	60,342	58,600	72,276
Licenses and permits	11,088	11,368	100,659	147,200
Use of money and property	42,566	149,817	128,271	156,450
Intergovernmental	1,078,871	1,740,777	1,375,594	1,088,925
Charges for service		146,299	144,398	238,101
Special assessments	14,800	5,623	66,750	13,592
Miscellaneous	<u>1,110,090</u>	<u>768,375</u>	<u>847,720</u>	<u>882,444</u>
Total	<u>\$ 5,311,730</u>	<u>5,953,799</u>	<u>5,628,448</u>	<u>5,527,871</u>
Disbursements:				
Operating:				
Public safety	\$ 1,522,217	1,434,715	1,581,048	1,613,882
Public works	874,965	904,069	1,358,183	2,276,813
Health and social services	2,446	4,019		
Culture and recreation	838,273	808,474	1,174,034	924,444
Community and economic development	793,845	1,013,237		
General government	946,375	939,383	976,396	659,271
Debt service	652,708	635,426	1,054,213	1,033,754
Capital projects	792,546	1,241,174		
Business type	<u>0</u>	<u>47,981</u>	<u> </u>	<u> </u>
Total	<u>\$ 6,423,375</u>	<u>7,028,478</u>	<u>6,143,874</u>	<u>6,508,164</u>

See accompanying independent auditor's report.

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Grinnell, Iowa as of and for the year ended June 30, 2004, and have issued our report thereon dated January 31, 2005. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Grinnell's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the city. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Grinnell's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Grinnell's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Grinnell and other parties to whom the City of Grinnell may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Grinnell during the course of our audit. Should you have any questions concerning any of the above matters, we shall be please to discuss them with you at your convenience.

ROLAND & DIELEMAN

Certified Public Accountants

City of Grinnell
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

I-A-04 Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

City of Grinnell
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories - A resolution naming official depositories has been approved by the City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget - Disbursements during the year ended June 30, 2004 did exceed the amounts budgeted in general government, culture and recreation, community and economic development, and debt service functions.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

II-C-04 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-04 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-04 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows.

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jim White, council member, owner of Bates Flowers	Flowers and balloons	\$ 56

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the council member do not appear to represent conflicts of interest since total transactions with the individual were less than \$1,500 during the fiscal year.

II-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

II-G-04 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-H-04 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

City of Grinnell

Staff

This audit was performed by:

Roger Roland, CPA
Royal Roland, CPA
Edwin Dieleman, CPA